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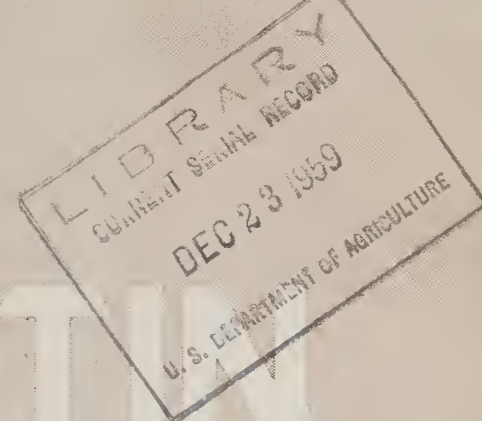


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*Frank W. Linder*  
MARKET ADMINISTRATOR

## Market Administrator's

# BULLETIN



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## THE DAIRY OUTLOOK FOR THE 1960's

The surplus situation was the predominant development in the dairy industry during the 1950's. Except for parts of two years, 1951 and 1952, purchases of butter and cheese by the Department of Agriculture were required to maintain announced price support levels. CCC purchased nonfat dry milk in every month except January through March 1952. This surplus situation was the result of the continuing decline in demand for milkfat, which started two decades earlier, a big rise in milk output in the mid-1950's, and increased sales of whole milk by farmers. The surplus situation during the 1950's was in sharp contrast to most of the 1940's. During the war, a shortage of dairy products prevailed at ceiling prices. From the end of the War until early 1949, demand strengthened and prices rose substantially. The decade of the 1930's was somewhat similar to that of the 1950's, though the comparatively weak demand during that period was due to low consumer incomes. During the 1920's, demand for dairy products was relatively stable, and price relationships were comparatively favorable for milk producers.

In 1958 and 1959, the balance between production

and commercial demand at support prices improved substantially. This was due primarily to the slight downturn in milk output, following 5 successive years of increases to new record high levels. At the threshold of the decade of the 1960's, the question arises, is this a permanent or temporary improvement? It is not possible to lay out a precise blueprint for 10 years ahead, with the prevailing and prospective technological conditions in the production and the distribution of milk. For 1960, prospects are for a close balance between production of milk and commercial demand, as measured on a fat basis. However, supplies of solids-not-fat are likely to be excessive again at support levels.

Beyond 1960, the economic position for the dairy industry generally and the welfare of individual farmers will be influenced by developments with respect to both demand and supply, although in the long-run production of milk tends to adjust to the demand for milk products. Production of milk per person in 1959 is reaching a new record low of 705 pounds per person, a drop of 125 pounds from the level of the 1920's and most of the 1930's.

## World Market Prices for Dairy Products Increased

For more than a decade, U.S. international trade in dairy products on a commercial basis has not been significant in comparison with U. S. supplies. Although commercial export markets for evaporated and dry whole milk were developed during and immediately following World War II, exports of these products have been declining in recent years, mainly as a result of the price competition of other world suppliers. The main contact with world markets in early postwar years was through programs of relief or economic aid. Most importing countries lacked dollars to purchase U. S. dairy products. Over the past 5 years the CCC has sold moderate quantities of butter, cheese and nonfat dry

milk to commercial exporters at equivalent of world prices.

Since passage of the Agricultural Trade Development and Assistance Act of 1954, as amended (P. L. 480), large quantities of butter, American cheese and nonfat dry milk have been exported under special programs of economic aid, dairy market development, and emergency relief. Substantial quantities have been donated, with packaging and transportation costs paid by the U. S. Government.

While donations of butter and of cheese have varied from year to year depending on the extent of  
(Continued on back page)



*Columbus*

## MARKET FACTS FOR EASY REFERENCE

### PRICE SUMMARY

	Oct. 1959	Sept. 1959	Oct. 1958
Producers' Uniform Price (3.5%) .....	\$5.11	\$4.88	\$4.30*
Producers' Uniform Price (4%) .....	5.51	5.275	4.66
Class I (3.5%) .....	4.697	4.584	4.420
Class II (3.5%) .....	4.297	4.184	4.020
Class III (3.5%) .....	3.865	3.866	3.920
Class IV (3.5%) .....	3.116	3.167	2.894
Producer Butterfat Differential for each 1/10% .....	.080	.079	.072

### UTILIZATION SUMMARY

Percent of Producer Milk in Class I .....	92.0	92.2	85.7
" " " B.F. " " I .....	87.9	91.2	83.1
" " " Milk " " II .....	5.9	5.7	8.3
" " " B.F. " " II .....	2.3	2.4	2.4
" " " Milk " " III .....	1.0	.8	1.7
" " " B.F. " " III .....	3.3	4.0	3.0
" " " Milk " " IV .....	1.1	1.3	4.3
" " " B.F. " " IV .....	6.5	2.4	11.5

### PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered .....	26,207,693	24,655,540	24,738,205
Average Daily Class I Producer Milk .....	777,492	758,050	683,471
Total Number of Producers .....	1,727	1,732	1,746
Average Daily Production per Producer .....	490	474	457
Average Butterfat Test .....	3.86	3.65	3.77
Total Value of Producer Milk at Test .....	\$1,289,414.79	\$1,147,903.64	\$1,113,359.81
Income per Producer (7 Day Average) .....	\$168.59	\$154.64	\$143.99

### GROSS CLASS USE (Pounds)

Class I Skim .....	23,447,213	22,182,595	20,531,895
" I B.F. ....	893,253	825,693	778,871
" I Milk .....	24,340,466	23,008,293	21,310,766
" II Skim .....	2,182,097	2,152,052	2,062,797
" II B.F. ....	23,983	22,114	23,097
" II Milk .....	2,206,080	2,174,166	2,085,894

### AVERAGE DAILY SALES (Quarts)

Milk .....	317,358	302,583	281,975
Buttermilk .....	5,514	6,761	5,486
Chocolate .....	19,517	22,822	16,189
Skim .....	12,087	11,084	9,645
Cream .....	9,129	8,416	8,163

\*Fall production payment 51 cents per cwt. additional



COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



Oct., 1950-59

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1950.....	17,701,263	4.12	78.5	17.8	3.7	—	4.11	4.20	3.80	3.124	—	2,145	266
1951.....	16,537,716	4.12	86.6	11.3	2.1	—	4.78	4.835	4.434	3.659	—	2,111	253
1952.....	17,480,900	4.14	84.6	13.4	1.8	—	5.22	5.292	4.892	3.843	—	2,200	256
1953.....	20,252,601	4.04	83.5	13.5	3.0	—	4.78	4.862	4.462	3.562	—	2,234	292
1954.....	21,943,122	3.96	81.8	8.1	6.1	4.0	4.42	4.558	4.158	4.158	3.222	2,186	324
1955.....	23,391,897	3.90	80.6	8.0	7.3	4.1	4.40	4.516	4.116	4.116	3.18	2,091	361
1956.....	23,321,443	3.81	82.7	8.6	4.7	4.0	4.47	4.607	4.207	4.207	3.271	2,020	388
1957.....	25,608,115	3.79	82.3	6.9	4.6	6.2	4.34	4.519	4.119	4.019	3.096	1,887	438
1958.....	24,738,205	3.77	85.7	8.3	1.7	4.3	4.30	4.420	4.020	3.920	2.894	1,746	457
1959.....	26,207,693	3.86	92.0	5.9	1.0	1.1	5.11	4.697	4.297	3.865	3.116	1,727	490

"EQUIVALENT" PRICES ANNOUNCED FOR GRADE AA & A BUTTER

The U.S. Department of Agriculture announced a determination of "equivalent" prices for Grade AA (93-score) and Grade A (92-score) bulk creamery butter at Chicago for the period September 25 through October 31.

Equivalent prices of 62.71 cents for Grade AA butter and 62.36 cents for Grade A butter at Chicago for the month of October have been determined by USDA for use in computing the class prices and butterfat differentials for the

months of October and November in 65 Federal milk marketing orders.

These determined equivalent prices are necessary, USDA said, because quotations for Grade AA and A butter on the Chicago market are not available for a sufficient number of days to be representative of such prices for October, 1959 or for any continuous 30-day period between September 25 and October 25. Normally, the average of quotations during this time is used as the basis for de-

termining class prices and butterfat differentials in 67 specified Federal milk orders for the months of October and November.

Therefore USDA had computed equivalent prices for Grades AA and A butter at Chicago for the period specified in each order by using USDA market news reports of prices on days when quotations were available and for other days by using prices that are 0.4 cent above the spot-butter market prices at Chicago for Grade AA and Grade A butter.

CHANGES IN SUPPLIES AND PRICES OF COMPETING PRODUCTS

The marketers of dairy products are in competition with the distributors of a number of other food products. The one foremost in the minds of many is the relationship of butter and margarine. Increased production of soybeans in the United States has made available increased supplies of ingredients for making margarine and has helped lead to lower prices for margarine, as compared with prices for butter. At the beginning of the 1950's the Federal law was changed to permit the freer sale of colored margarine. Advances were made also in the production process for margarine. These developments made margarine a more active competitor for butter, and have led to the increased consumption of margarine in relationship to butter. In 1959, margarine consumption will average 9.2 pounds per person, compared to 8.3 pounds for butter. Twenty years ago, butter consumption was about 17 pounds,

compared with about 3 pounds for margarine. Ten years ago, butter consumption was around 11 pounds, while margarine consumption was about 6 pounds. The loss of the butter market has not been completely replaced by the gain for margarine. Consumption per person of the two combined now about equals the quantity of butter consumed 20 years ago, and is 3 pounds short of the sum for the two items 2 decades ago.

In extreme cases, consumption of cheese is affected indirectly by the prices of meat products. When prices for meat at retail are extremely high, compared with cheese prices, there has been some shift in demand to cheese. Conversely, when meat prices are low compared with cheese, there is increased competition for the marketers of cheese.

In the years ahead, undoubtedly there will be a continued effort to substitute vegetable fats for milkfat in some dairy products, and there probably will be con-

tinued fluctuations in the demand for cheese, as the relationship of meat prices to cheese prices varies.

Substitution of one dairy product for another can be made as their supplies or prices are altered, but this has been of only minor importance so far. For example, nonfat dry milk can be used in the place of fresh fluid milk, or in the place of evaporated milk. Another product on the horizon which could result in changes in patterns of milk consumption is sterile concentrated whole milk. Substantial progress has been made in the last 5 years toward the development of such a product for commercial distribution. However it still has not been placed on the market to any significant extent. If this product should receive widespread acceptance by consumers, it could have a significant effect upon levels of prices and consumption of milk and competition among regions in the production and marketing of milk.

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## World Market Prices

(Continued from page one)

U. S. surpluses, donations of nonfat dry, milk increased steadily from the beginning of the program through 1958, but declined in 1959.

With respect to imports of dairy products, U. S. trade likewise has been limited. Most foreign dairy product exports have been destined to the principal world markets such as the United Kingdom and Germany. In the 1920's and 1930's, when U. S. tariffs were higher than at present, but no import controls were in effect, U. S. imports of dairy products, in terms of milk equivalent, constantly exceeded exports. During the 1950's import quotas were established on many items, which otherwise would have come into this country in volume and materially interfered with the domestic price support program for milk and butterfat.

In the summer and early autumn of 1958, world prices for most dairy products were depressed to extremely low levels. Within recent months, however, the cutback in milk output in many European countries as a result of the drought has led to substantial price increases over a year earlier. The prices of butter and cheddar cheese have risen to the point where some inquiries indicate the possibility of commercial exports of dairy products at domestic prices by the United States during the winter and early spring of 1960. The price strengthening abroad appears to be related mainly to the European drought. As

## Market Quotations

OCT.  
1959

12 MIDWEST CONDENSERIES 3.5% per Cwt. ....	\$3.098
5 CONDENSERIES (Cincinnati) 3.5% per Cwt. ....	2.93
5 CONDENSERIES (North Central Ohio) 3.5% per Cwt. ....	2.980
2 CONDENSERIES (Toledo) 3.5% per Cwt. ....	2.912
4 CONDENSERIES (Tri-State) 3.5% per Cwt. ....	3.069
Evaporated Milk Code Price, 3.5% per Cwt. ....	2.929
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati) ....	3.2381
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus) ....	3.216
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton) ....	3.240
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo-Tri-State) ....	3.114
Average Weekly Cheddars price per lb. ....	31875
Average price per lb. non-fat dry milk solids, roller process delivered Chicago ....	14050
Average price per lb. 92-score butter at Chicago (Equivalent Price) ....	6236
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant ....	1307

this condition is relieved, it is expected that prices outside the United States will decline relative to the U. S. price level.

As a result of currently depleted CCC inventories of butter and nonfat dry milk, it was found necessary to discontinue (September 2 for butter, October 13 for nonfat dry milk) all dispositions of butter by CCC and all dispositions of nonfat dry milk, except sales for domestic unrestricted use. The CCC export sales price for cheese for October and November has been 31.87 cents per pound or for domestic unrestricted use at 37 and 38 cents per pound, depending on point of origin. This represents the equivalent of 90 percent of parity. Nonfat dry milk now is available for unrestricted domestic use at 16 cents per pound, for spray process, U. S. extra grade.

In the past year, imports of non-quota cheese increased about 14 percent, and

the quota for Italian varieties was more fully utilized. Imports of quota cheese increased about 8 percent. In 1958-59, a total of 59 million pounds of cheese was imported. About 41 million was in non-quota categories. Cheese accounts for more than 93 percent of current milk equivalent (fat solids basis) of all dairy imports.

Since the duty on casein was temporarily abrogated in September 1957 imports of casein have increased. Imports during calendar year 1959 will approximate 101.6 million pounds, about 11 percent greater than the 91.3 million pounds, valued at \$17.6 million, imported during 1958. It is believed that the expansion of imports is in part in the form of edible casein which has, along with lactalbumin, found increasing use in the manufacture of pharmaceuticals and food products. Almost all U.S. demands for casein are now being met by imports.